

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 INR-10 NSAE-00 PM-05 NSC-05
SP-02 SS-15 L-03 DODE-00 OMB-01 EB-08 AID-05
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P 231930Z JUN 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC PRIORITY 6136

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 4675

E.O. 11652: XGDS-3
TAGS: MARR PO
SUBJECT: AZORES BASE NEGOTIATIONS

1. IN A CONVERSATION ON JUNE 22, PRIME MINISTER SOARES TOLD ME THAT HE HAD "GOOD NEWS". HE HAD TAKEN PERSONAL CHARGE OF REACHING A UNIFIED GOP COUNTERPROPOSAL ON THE AZORES BASE NEGOTIATIONS. HE HAD REACHED AN UNDERSTANDING WITH REGIONAL GOVERNMENT PRESIDENT MOTA AMARAL AND HAD OBTAINED THE APPROVAL OF THAT UNDERSTANDING BY THE COUNCIL OF MINISTERS AND PRESIDENT EANES. THE FOREIGN MINISTRY WOULD BE PROVIDING ME WITH THE DETAILS, BUT IN GENERAL THE PORTUGUESE COUNTERPROPOSAL WAS TO ACCEPT THE AMERICAN OFFER OF \$140 MILLION AND TO COMPROMISE BETWEEN THE AZOREAN INSISTENCE ON A SEVEN-YEAR AGREEMENT AND THE AMERICAN PROPOSAL OF TEN YEARS, I.E. EITHER EIGHT OR NINE YEARS. REGARDING AZOREAN INSISTENCE ON INCLUDING IN THE AGREEMENT MATTERS RELATING TO LABOR RELATIONS, HE HAD CONVINCED MOTA AMARAL THAT THESE SHOULD NOT BE IN THE AGREEMENT BUT RATHER SHOULD BE HANDLED SUBSEQUENTLY AT A TECHNICAL WORKING LEVEL.

2. I TOLD SOARES THAT HE MUST UNDERSTAND THAT OUR OFFICIAL POSITION WAS STILL \$120 MILLION AT 10 YEARS. THE \$140 MILLION FIGURE, I POINTED OUT, HAD
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COME UP IN AN INFORMAL CONVERSATION BETWEEN DEPUTY ASSISTANT SECRETARY OF STATE BARBOUR AND FOREIGN MINISTRY POLITICAL DIRECTOR VILLAS BOAS DURING THE EANES VISIT TO WASHINGTON. I NOTED THAT BARBOUR HAD SAID THAT HE WOULD BE WILLING TO RECOMMEND AN INCREASE OF \$20 MILLION TO HIS SUPERIORS PROVIDED THAT WE COULD AGREE ON A 9-YEAR EXTENSION FROM 1974. SOARES

MADE NO COMMENT ON THE LATTER POINTS. HE ALSO INFORMED ME THAT IT HAD BEEN DECIDED THAT THE \$140 MILLION WAS TO BE DIVIDED \$80 MILLION IN ECONOMIC ASSISTANCE TO THE AZORES AND \$60 MILLION IN MILITARY ASSISTANCE.

3. ON JUNE 23 I MET WITH VILLAS BOAS WHO INFORMED ME THAT THE FINAL MEETING OF THE GOP INTER-MINISTERIAL COMMITTEE HAD TAKEN PLACE THE DAY BEFORE, AT WHICH TIME HE HAD INFORMED THE COMMITTEE OF THE DECISIONS TAKEN AT A POLITICAL LEVEL, I.E. BY SOARES AND MOTA AMARAL. VILLAS BOAS SAID THAT HE WAS NOW PREPARED TO GIVE ME THE PORTUGUESE COUNTER-PROPOSAL. THIS WAS THAT THE AMOUNT OF THE QUID SHOULD BE \$140 MILLION AND THE LENGTH OF THE AGREEMENT 7 YEARS. IF THE AGREEMENT WERE TO BE FOR 8 YEARS THEN THE AMOUNT SHOULD BE HIGHER THAN 140 BUT VILLAS BOAS SAID HE WAS NOT AUTHORIZED AT THIS POINT TO BE SPECIFIC AS TO HOW MUCH HIGHER. IF THE AGREEMENT WERE TO BE FOR 9 YEARS THE QUID SHOULD BE PROPORTIONALLY HIGHER. REGARDING THE QUESTION OF LABOR RELATIONS ON THE BASE AND OTHER TECHNICAL MATTERS, THE GOP PROPOSED THAT THESE BE WORKED OUT BY JOINT PORTUGUESE-US WORKING GROUPS AFTER SIGNATURE OF THE AGREEMENT. THE AGREEMENT WOULD SIMPLY CONTAIN LANGUAGE TO THE EFFECT THAT BOTH PARTIES AGREED TO FORM SUCH WORKING GROUPS WHICH WOULD STUDY AND AGREE UPON ANY REVISIONS OR UPDATING OF THE TECHNICAL ACCORDS AS MIGHT BE NECESSARY, INCLUDING

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THOSE RELATING TO LABOR RELATIONS.

4. I TOLD VILLAS BOAS THAT HE MUST UNDERSTAND THAT THE U.S. OFFER ON THE TABLE CONSISTED OF \$120 MILLION FOR A TEN-YEAR AGREEMENT DATING FROM FEBRUARY 1974. I POINTED OUT THAT DEPUTY ASSISTANT SECRETARY BARBOUR HAD MENTIONED \$140 MILLION ONLY AS A POSSIBILITY, PROVIDED THAT THE GOP WOULD MAKE A FIRM PROPOSAL FOR A 9-YEAR AGREEMENT. I SAID THAT WE COULD NOT ACCEPT THE PROPOSITION THAT WE WERE NOW NEGOTIATING FROM A BASE LEVEL OF \$140 MILLION WITH THE LENGTH OF THE AGREEMENT STILL TO BE DETERMINED. I SAID THAT I WOULD CONVEY THE GOP POSITION TO

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TO SECSTATE WASHDC PRIORITY 6137

C O N F I D E N T I A L SECTION 2 OF 2 LISBON 4675

WASHINGTON, BUT I FELT SURE THAT IT WOULD NOT BE
ACCEPTABLE, AND THAT OUR FINAL OFFER WOULD BE \$140
MILLION AT NINE YEARS. I ALSO TOLD HIM THAT I THOUGHT
THAT THE TIME HAD NOW COME TO OPEN FORMAL NEGOTIATIONS
AND THAT I HOPED TO RETURN FROM WASHINGTON PREPARED
TO PROPOSE A DATE CERTAIN FOR NEGOTIATIONS TO BEGIN.

5. VILLAS BOAS SAID THAT THE MEMBERS OF THE COMMITTEE
HAD ALSO RAISED SUCH "ASPIRATIONS" AS:. AN AGREEMENT
REGARDING THE PROVISION OF FUEL TO CIVILIAN AIRCRAFT
AT THE LAJES TERMINAL AND IMPROVEMENT OF THE CIVIL
AIRPORT; CREATION OF A MIXED COMMISSION TO OVERSEE THE
AGREEMENT; THE MILITARY REPRESENTATIVE HAD ALSO TABLED
A PROPOSAL THAT THE U.S. SHOULD PROVIDE A CERTAIN NUMBER
OF GUARANTEED MANHOURS OF REPAIR WORK AT THE ALVERCA
NAVAL REPAIR FACILITY. I ASKED VILLAS BOAS IF I WAS
TO UNDERSTAND THAT THESE ADDITIONAL ITEMS WERE ALSO A
PART OF THE PORTUGUESE COUNTERPROPOSAL. HE QUICKLY
RETREATED AND SAID THAT THEY WERE NOT AN INTEGRAL PART
OF THE COUNTERPROPOSAL BUT WERE ITEMS THAT THE PORTUGUESE
WOULD APPRECIATE THE U.S. SIDE CONSIDERING. I INDICATED
THAT I DOUBTED THAT WE WOULD CONSIDER THEM FOR VERY LONG.

6. COMMENT: EITHER DELIBERATELY OR INADVERTENTLY, VILLAS
BOAS HAS MISCONSTRUED HIS CONVERSATION WITH BARBOUR SO
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AS TO BREAK THE LINK BETWEEN AN INCREASE IN THE QUID AND
THE LENGTH OF TIME OF THE AGREEMENT. IN MY VIEW WE
SHOULD HOLD FIRM AT \$140 MILLION FOR A 9-YEAR AGREEMENT.
AFTER ALL, WHEN PUSH COMES TO SHOVE, WE STILL HAVE THE
USE OF THE BASE AND THE PORTUGUESE DO NOT HAVE ANY OF
OUR MONEY. MY GUESS IS THAT WHEN PRESENTED WITH A
FORMAL U.S. POSITION TO THAT EFFECT THE PORTUGUESE WILL
ACCEPT.

7. I WILL DISCUSS OUR NEXT STEPS DURING MY WASHINGTON
CONSULTATION, BEGINNING JUNE 26.
BLOOMFIELD

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